

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-10 L-03
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FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01
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O R 181611Z AUG 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 6750
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION USNATO
AMEMBASSY ROME
DIA WASHDC
USNMR SHAPE BEL
COMUSFORAZ
USCINCEUR VAIHINGEN GER
AMCONSUL OPORTO

C O N F I D E N T I A L SECTION 1 OF 3 LISBON 6173

BRUSSELS ALSO FOR USEEC

EO 116552 GDS
TAGS: PINT PO
SUBJ: GOVERNMENT CRISIS: LOOKING DOWN THE ROAD

REF: LISBON 3712

SUMMARY: PRIME MINISTER-DESIGNATE NOBRE DA COSTA SEEMS READY
TO FORM A GOVERNMENT OF INDEPENDENTS INCLUDING SOME SECOND-RANK
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SOCIAL DEMOCRATS AND CENTER DEMOCRATS WHO WOULD SERVE AS
PERSONALITIES WITHOUT GUARENTEED PARTY SUPPORT IN THE ASSEMBLY.
SUCH A GOVERNMENT'S PROGRAM WILL PROBABLY NOT BE REJECTED BY
LEGISLATIVE ASSEMBLY, BUT THE GOVERNMENT
WOULD BE IN A WEAK POSTHION DUE TO THE ABSENCE OF ASSURED
ASSEMBLY SUPPORT. THE SOCIALISTS ARE DETERMINED TO CONTEST
NOBRE DA COSTA'S "PRESIDENTIAL GOVERNMENT" AND IT

SEEMS MOST LIKELY TO LAST ONLY UNTIL NEW ELECTIONS IN
EARLY 1979. ALTERNATIVELY, (1) THE SOCIALISTS MIGHT ALLOW IT TO
STAY IN OFFICE UNTIL 1980 WHILE THEY REBUILD
THEIR OWN ELECTORAL BASE; OR (2) THE PARLIAMENT-SUPPORTED SUCCESSOR.
END SUMMARY

1. GOVERNMENT SET:

AFTER A WEEK OF NEGOTIATIONS BETWEEN THE PRIME MINISTER-
DESIGNATE AND THE POLITICAL PARTIES, WE EXPECT NOBRE DA
COSTA TO FORM A GOVERNMENT OF INDEPENDENTS, POSSIBLY INCLUDING
SOME SECOND-RANK SOCIAL DEMOCRATS AND CENTER DEMOCRATS SERVING
AS PERSONALITIES.
THE GOVERNMENT WOULD HAVE NO GUARANTEE OF PARTY SUPPORT IN
THE ASSEMBLY.

2. PRESIDENTIALISM VS PARLIAMENTARISM:

THE DEFINITION OF PORTUGAL'S CONSTITUTIONALLY AMBIGUOUS SEMI-
PRESIDENTIAL SYSTEM HAS REMAINED IN ABEYANCE FOR THE PAST
TWO YEARS WHILE THE PRESIDENT REMAINED IN THE BACKGROUND
EXCEPT ON A FEW KEY ISSUES SUCH AS THE MILITARY, FOREIGN
AFFAIRS AND RELATIONS WITH THE AZORES (REFTEL). BUT THE
ABRUPT FALL OF THE PS-CDS GOVERNMENT AND THE PRESIDENT'S
SUBSEQUENT SELECTION OF HIS OWN PRIME MINISTER HAVE BROUGHT
THE LATENT CONFLICT BETWEEN PRESIDENTIAL AND PARLIAMENTARY
SYSTEMS TO A HEAD. THE PRESIDENT HAS THE CONSTITUTIONAL
AUTHORITY TO CHOOSE AND DISMISS PRIME MINISTERS, BUT HE HAS
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NO SOLID POLITICAL BASE OF HIS OWN WITH WHICH TO IMPOSE HIS
CHOICE ON THE PARLIAMENT. WHILE EANES RECEIVED 62 PERCENT
OF THE VOTE IN THE 1976 PRESIDENTIAL ELECTION, HE HAS NO
NATIONAL ORGANIZATION AND NO POLITICAL PARTY. SIMILARLY,
PRIME MINISTER-DESIGNATE NOBRE DA COSTA LACKS A POLITICAL
BASE. THE POLITICAL PARTIES IN THE ASSEMBLY, PARTICULARLY
THE SOCIALIST PARTY, APPEAR UNWILLING TO FACILITATE A SHIFT
TO A CLEARLY PRESIDENTIAL SYSTEM.

3. EANE'S ROLE HEIGHTENED:

THE ABSENCE OF CONSISTENT PARTY SUPPORT (I.E.A BASE OF ITS
OWN) FOR A NOBRE DA COSTA ("TECHNOCRATIC") GOVERNMENT WILL
FORCE THE GOVERNMENT TO DEPEND HEAVILY ON PRESIDENTIAL
SUPPORT --PERHAPS MORE THAN EITHER EANES OR NOBRE DA COSTA
WANT. THIS IN TURN WOULD FORCE EANES TO PLAY A MORE ACTIVE
ROLE IN DEALING WITH THE PUBLIC, THE POLITICAL PARTIES, THE
TRADE UNIONS, AND OTHER ECONOMIC GROUPS. THE PRESIDENT,
HOWEVER, LACKS THE STAFF TO COORDINATE, OR EVEN ESTABLISH,
DETAILED GOVERNMENT POLICY AND THE NATIONAL ORGANIZATION TO
GUARANTEE A NEW GOVERNMENT POLITICAL SUPPORT. THUS IF A
GOVERNMENT WITH ITS OWN STRONG PARLIAMENTARY BASE EVENTUALLY

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O R 181611Z AUG 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 6751
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
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TAKES OFFICE, THE CURRENT PRESIDENTIAL ROLE COULD BE SHRUNK.
MEANWHILE, THE DE FACTO SITUATION RUNS COUNTER TO THE DESIRES
OF THE ANTI-PRESIDENTIALITES.

4. THE GOVERNMENT:
A NOBRE DA COSTA GOVERNMENT WITHOUT PARTY BACKING STARTS OUT
WITH SERIOUS HANDICAPS. THE GOVERNMENT WILL BE VIEWED AS
A "CARETAKER" GOVERNMENT LIKELY TO LAST ONLY UNTIL EARLY
1979, THENCE PEOPLE WILL BE CAUTIOUS ABOUT INVOLVING THEMSELVES
WITH THE GOVERNMENT OR ITS POLICIES. THE GOVERNMENT'S LIFE
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COULD BE EXTENDED IF (1) A PARTY ACCORD IS REACHED CREATING A PARLIAMENTARY MAJORITY THAT WOULD BACK A SUBSTITUTE GOVERNMENT; OR (2) THE ASSEMBLY ALLOWS THE GOVERNMENT CONFIDENCE MOTION TO PASS LATER THIS YEAR. WITH SUCH UNCERTAIN PROSPECTS, IT WILL BE DIFFICULT FOR NOBRE DA COSTA TO RECRUIT A TOP GOVERNMENTAL TEAM ESPECIALLY AT THE IMMEDIATE SUB-MINISTERIAL LEVEL. SUCH A GOVERNMENT'S ABILITY TO MAKE MAJOR DECISIONS EFFECTIVELY, TO SETTLE DISPUTES, AND TO TACKLE THE TOUGH DOMESTIC ISSUES AHEAD IS DUBIOUS.

5. THE GOVERNMENT AND THE POLITICAL PARTIES:

ANY NOBRE DA COSTA GOVERNMENT WILL HAVE THE PRESIDENT'S BLESSING. HOWEVER, AND IN PART BECAUSE OF THAT BLESSING, THE STAGE IS SET FOR REPEATED CLASHES BETWEEN PRESIDENTIAL AND PARLIAMENTARY APPROACHES TO GOVERNMENT. IN FACT, MOST MAJOR ISSUES BROUGHT BEFORE THE ASSEMBLY ARE LIKELY TO BE DEBATED, AT LEAST IN PART, ON THE BASIS OF CONFLICTING PERSPECTIVES ON THE PROPER RESPECTIVE ROLES OF THE PRESIDENT, THE PRIME MINISTER, THE GOVERNMENT AND THE ASSEMBLY. THE SOCIALISTS MAY NOT BE ABLE TO FORCE EANES TO RETURN THEM TO A DOMINANT GOVERNMENTAL ROLE, BUT THEY CAN CRIPPLE AND EVENTUALLY TERMINATE (IF THEY ARE WILLING TO GO TO IMMEDIATE ELECTIONS --SEE ART. 198 OF THE CONSTITUTION) AND GOVERNMENT FORMED AGAINST THEIR WILL. IN ITS INITIAL ASSEMBLY TEST, THE GOVERNMENT AND ITS PROGRAM WILL STAND UNLESS A MOTION OF REJECTION IF PROPOSED AND APPROVED BY AN ABSOLUTE MAJORITY OF ASSEMBLY DEPUTIES. NO ONE EXPECTS REJECTION SINCE NO PARTY WANTS TO FORCE IMMEDIATE ELECTIONS. THE GOVERNMENT WOULD THUS BE ABLE TO IMPLEMENT EXISTING LEGISLATION ON AGRARIAN REFORM, INDEMNIZATIONS AND OTHER AREAS, ON OTHER KEY MATTERS IT WOULD REQUIRE ASSEMBLY APPROVAL BY A SIMPL MAJORITY OF THOSE VOTING; E.G.:

--THE MEDIUM-TERM PLAN AND 1979 BUDGET PROPOSAL;

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-- ANY MAJOR INITIATIVES AFFECTING ECONOMIC STRUCTURE, AGRARIAN REFORM, OR PLANNING;
--THE NEW ELECTION AND VOTER REGISTRATION LAWS; AND
--THE CONFIDENCE MOTION PROMISED BY PRESIDENT EANES AFTER THE ELECTION LAW IS PASSED AND WHEN VOTER REGISTRATION IS COMPLETED (I.E. EARLY IN 1979).
THE SOCIALISTS HOLD THE KEY ON ALL THESE VOTES SINCE ONLY THE SOCIALISTS NEED HELP FROM JUST ONE PARTY TO FRUSTRATE GOVERNMENT ACTION.

6. ECONOMIC FACTS OF LIFE:

THE NEXT GOVERNMENT HAS A DIFFICULT, UNPOPULAR ECONOMIC STABILIZATION PROGRAM TO IMPLEMENT. INCREASINGLY SEVERE CREDIT POLICIES, WHICH CAN BE IMPLEMENTED WITHOUT LEGISLATIVE APPROVAL, WOULD ENCOUNTER HEAVY CRITICISM

FROM BUSINESS AND LABOR GROUPS. EVEN IF NOBRE DA COSTA
ASSEMBLES A STRONG TECHNICAL TEAM, HE WILL NOT
GENERATE FOREIGN AND DOMESTIC INVESTOR CONFIDENCE UNLESS
HE CAN DEMONSTRATE THAT HIS GOVERNMENT CAN IMPLEMENT AN
EFFECTIVE ECONOMIC PROGRAM, A DUBIOUS PROSPECT. MEANWHILE,
PREPARATIONS FOR PORTUGAL'S NEGOTIATIONS ON EC MEMBERSHIP,
FOR A MEDIUM-TERM DEVELOPMENT PLAN, AND THE 1979 BUDGET HAVE
GROUND TO A HALT.

7. RICK OF POLARIZATION:

PSD PRESIDENT SA CARNEIRO HAS RENEWED HIS EFFORTS TO POLARIZE
POLITICAL FORCES SO THAT HE AND HIS PARTY CAN BECOME THE
CHAMPION OF THE NON-COMMUNIST MAJORITY OF THE COUNTRY.
BOTH SA CARNEIRO AND MORE EXTREME RIGHT-WING ELEMENTS HAVE
SOUGHT TO TAKE ADVANTAGE OF THE INSTITUTIONAL CONFLICT OVER
CONTROL

OF THE PRESIDENT BY ASSERTING THAT THEY STAND WITH
THE PRESIDENT, THE ARMED FORCES, AND PATRIOTISM AGAINST
PAROCHIAL PARTISAN INTERESTS. WHILE BOTH THE PRESIDENT,
THE SOCIALISTS, AND OTHERS HAVE SHOWN THEMSELVES DETERMINED
TO AVOID SUCH DANGERS, A PROLONGED INSTITUTIONAL CONFLICT
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WOULD INCREASE THERISKS OF POLARIZATION.

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 6752

INFO AMEMBASSY BONN

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8. MEDIUM-TERM PROSPECTS:

AFTER FORMATION OF THE NOBRE DE COSTA GOVERNMENT THE MOST
LIKELY ALTERNATIVES ARE:

-- (A) THE NOBRE DA COSTA GOVERNMENT MAY SERVE UNTIL NEW
ELECTIONS CAN BE HELD IN EARLY 1979. (MOST LIKELY BECAUSE OF
PROBLEMS INVOLVED IN ACHIEVING THE ALTERNATIVES BELOW).
THERE WOULD BE ONLY MINIMAL POLICY MAKING DURING THIS PERIOD,
THOUGH THE GOVERNMENT WOULD CERTAINLY PRESENT A BUDGET FOR
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1979.

-- (B) THE NOBRE DA COSTA GOVERNMENT MAY SURVIVE ITS CONFIDENCE
MOTION AND SERVE UNTIL THE 1980 ELECTIONS. THE SOCIALISTS
AND OTHERS WOULD HAVE TO DECIDE THAT THEY ARE BETTER OFF IF
THEY LET THE GOVERNMENT STAY IN OFFICE WHILE THEY REBUILD THEIR
ELECTORAL BASE. THIS DECISION WILL PROBABLY BE DEBATED AT
LENGTH WITHIN THE PARTIES DURING THE FALL.

-- (C) THE POLITICAL PARTIES MAY ORGANIZE A MAJORITY IN THE
ASSEMBLY AND USE IT TO TRY TO PERSUADE EANES AND/OR NOBRE DA
COSTA TO ALLOW A SUBSTITUTE GOVERNMENT TO TAKE OFFICE.
(THE PS, PSD MODERATES, AND THE CDS ARE THE POTENTIAL PARTNERS.
A MAJORITY--WHICH IS HARD TO CREATE IN ANY CASE--COULD NOT
FORCE A NOBRE DA COSTA GOVERNMENT OUT OF OFFICE BY TWO
CENSURE VOTES WITHOUT TRIGGERING DISSOLUTION OF THE ASSEMBLY AND
NEW ELECTIONS PER ART. 198 OF THE CONSTITUTION).

-- (D) THE POLITICAL PARTIES MAY AGREE TO PROVIDE CONSISTENT
PARLIAMENTARY SUPPORT FOR THE NOBRE DA COSTA GOVERNMENT AND ITS
PROGRAMS. (LEAST LIKELY ALTERNATIVE).

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